

Exchange Rates

Exchange Rates: To calculate exchange rates, begin with the equation of one currency equal to another. For example, the table below indicates that the price of a United States Dollar, in terms of British Pounds, is .50 Pounds; therefore, \$1=.50 Pounds, and 1 Pound = \$1.98. You can then use that information to answer other questions. Use this exchange rate information from April 2002 to answer the questions below.

1 British Pound = \$1.61	\$1 = .62 British Pounds
1 Canadian Dollar = \$.87	\$1 = 1.15 Canadian Dollars
1 Egyptian Pound = \$.18	\$1 = 5.55 Egyptian Pounds
1 Russian Ruble = \$.04	\$1 = 26.78 Russian Rubles
1 South African Rand = \$.12	\$1 = 9.63 South African Rand
1 Swiss Franc = \$.86	\$1 = 1.16 Swiss Francs
1 China Yuan Renminbi = \$.15	\$1 = 6.84 China Yuan Renminbis
1 Japan Yen = \$.01	\$1 = 100.48 Japan Yens

1. How much does it cost in American Dollars to buy one South African Rand?
 2. How much does it cost in Russian Rubles to buy one American Dollar?
 3. Suppose you wanted to buy a sculpture, and the price was 2000 Egyptian Pounds. How much would the sculpture cost in American Dollars?
 4. Suppose you wanted to buy a watch, and the price was 50 Swiss Francs. How much would the watch cost in American Dollars?
 5. If you planned a vacation to Japan and wanted to exchange your money before you left, how many Japan Yen could you get for \$1,000?
 6. Why do American business owners try to avoid accepting Canadian coins?
 7. How much does it cost in China Yuan Renminbi to buy one American Dollar?
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Exchange Rates *(continued)*

Assume the United State develops a strong international dollar. Explain the effect of this strong dollar on each of the following:

8. The price of Pakistani rugs.
9. The amount of rugs imported from Pakistan.
10. American demand for the Pakistani currency of Rupees.
11. Profits of importers, such as Pier One Imports.
12. The amount of American machinery exported to Pakistan.
13. Pakistani demand for American Dollars.
14. US balance of trade.

Assume that the United States dollar has decreased in value. Explain the effects of this weak dollar on each of the following:

15. American imports of foreign products.
16. American exports to foreign consumers.
17. United States balance of trade.

Explain whether each of these people would prefer a strong or a weak and why.

18. A farmer.
 19. A line worker at an auto plant.
 20. A gas station owner.
 21. A banana consumer.
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